

Spring 2006

# Foundations for the Future



*A special gift, estate, and financial planning newsletter for friends of the Pine Rest Foundation*

## Showing Our Love!—Scott Halquist

*“They will know we are Christians by our love.”—Peter Scotles.*

Coming up with a topic for the newsletter was difficult for me this time. After contemplating and praying about what to write, I feel that this is what God is leading me to discuss with you, so here we go.

During the first week of January, I attended two funerals. One was the celebration of the life of a 78-year-old and the second was the celebration of the life of a 20-year-old. As you can see, the one would be easier to describe as a celebration compared to the other if you had not attended both services. Both celebrations focused on the love that the individual had for God and for others. Another strong message that was conveyed was to not take “anything for granted.” None of us know how long we will have on Earth, whether it will be 20 years or 78 years.

I started thinking, “What am I doing to show love to others and what is Pine Rest doing to show love to others?” We at Pine Rest are “called to express the healing ministry of Jesus Christ” to those who are experiencing difficult times in their lives. They are in need of receiving love, possibly more than at any other time in their lives. This is the work that is taking place 24 hours a day, 365 days a year!

We are asking you to partner with us in “showing our love” to those in need. There are many ways for you to do this: keeping Pine Rest in your prayers, volunteering, providing annual gifts, or leaving a legacy with a gift from your estate.

In the following pages, you will read about different ways to show your love to those in need through a gift from your estate. You may have been thinking about including Pine Rest in your estate plan but are unaware of how to do so. I would be happy to talk with you about various ways to include Pine Rest in your plans. Please call me at (616) 281-6375 or email me at [scott.halquist@pinerest.org](mailto:scott.halquist@pinerest.org) for further information. Let’s show the world that “We are Christians by our love!”

### INSIDE THIS ISSUE

- Review frequently asked questions
- Choose the right asset to give
- Gifts of appreciated property

## Gift Planning Reminders

As you consider your charitable gift plans for 2006, keep the following in mind:

- Charitable gifts can help to eliminate tax on a portion of your income.
- A charitable gift can result in tax savings for up to six years.
- Gifts of securities and many other types of assets that have increased in value can result in bypassing capital gains tax.
- Charitable gifts may be deducted for both regular and Alternative Minimum Tax purposes.
- Special benefits can come from gifts of retirement plan assets.



## WHAT'S THE "BEST POLICY" WHEN IT COMES TO CHARITABLE GIVING?

Do you have a paid-up life insurance policy that is no longer needed for its original purpose? If so, you may want to consider making a charitable gift from this convenient "pocket." Such gifts are generally quick and easy to make and require only that you fill out a simple change of beneficiary form from the insurer. Such policies may be used to fund a current charitable gift or to provide one for the future.

# Answers to Frequently Asked Questions

**Q. Why should I arrange my gifts as early as possible in the year?**

**A.** Even though you have until December 31 to complete your gifts for tax purposes, it is best to begin discussing your plans with advisors early to assure enough time to decide the best ways to give and to complete transfers in a timely manner without undue haste.

**Q. What kinds of assets make the best gifts?**

**A.** Cash, usually in the form of a check, is the most popular type of charitable gift. If you itemize your tax deductions and donate cash, you are allowed to eliminate tax on up to 50% of your adjusted gross income (AGI). Any unused deductions may be used to help reduce taxes in up to five future tax years.\*

Investments that have increased in value during the time you have owned them can also be an especially attractive choice when considering ways to make charitable gifts. Low-yielding stocks, bonds, real estate, and other property can provide a tax-wise way to make meaningful gifts with little or no impact on your spendable income.

**Q. Are there other assets that may be appealing when making charitable gifts?**

**A.** Yes. If you own life insurance policies that have built-up cash value but are no longer needed for their original purposes, such as payment of estate taxes, they can make convenient, tax-deductible gifts. If applicable, you may also be able to give through your business, family foundation, or advised fund.

**Q. Can I make charitable gifts using retirement account assets?**

**A.** Yes. If you are past the age of 59½ you are allowed to withdraw funds from a tax-favored retirement account without triggering an early withdrawal penalty. If your retirement account investments have performed well over the years, you may wish to take a withdrawal sufficient to fund the gifts you would like to make.

You will report the withdrawal amounts on this year's tax return, but you can then take a corresponding charitable deduction for your gift. This can result in a "wash" for tax purposes. Check with your advisor(s) for more information.

**Q. I generally review my overall estate and financial plans at the beginning of the year. Can these plans also include charitable gifts?**

**A.** Yes. As part of a review of your will or living trust, for example, you may wish to include your charitable interests for a specific amount, a percentage, or what's left of your estate after providing for loved ones and other heirs. With continued reductions in federal estate taxes, you may find there will be additional assets in your estate from which to make charitable gifts. This may be an ideal time to add a favorite charitable interest to your plans.

\* Planning note: Remember that cash gifts made between August 28 and December 31, 2005 may be deducted up to 100% of adjusted gross income (AGI) on your 2005 tax return completed in 2006.

# Double Tax Benefits

It can be especially economical to make gifts of securities because of the “double tax benefits” you can enjoy.

When you give securities (stocks, bonds, or shares in a mutual fund) that have increased in value and been owned long enough to qualify as long-term property, you are generally entitled to a federal income tax deduction based on the current fair market value of the security, regardless of what it originally cost.

The second benefit comes from the fact that when you donate securities that have increased in value, you do not have to pay capital gains tax.

## *Deciding what and when to give*

Most experts agree that you should meet with your tax advisor to determine what assets to give and when to give them. Carefully considering your giving options as well as the needs of your charitable interests can help ensure that your gifts achieve the maximum benefits for you, your loved ones, and your favorite charities.

## *Take losses, give cash*

If you have long-term investments that have decreased in value since you acquired them, consider selling them and giving the cash proceeds. You may be able to deduct the amount of your loss as well as the amount donated, resulting in deductions that total more than the current value of the investments.

## *Give out of the market*

Giving appreciated securities that you believe may decline in value in the future can allow you to lock in today's value for income tax purposes and avoid losses from future market declines.

## *Time your gifts*

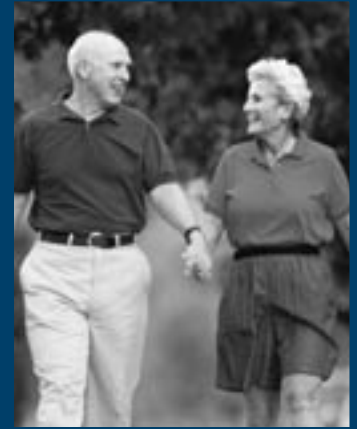
To ensure that your gifts are deductible on this year's federal income tax return, it is important that you complete them by December 31. If you expect to be in a lower tax bracket next year, your gifts this year may never save you more.

# Give Now—and Later

The amount one can leave at death to loved ones has been gradually increasing over the past few years as part of a plan to eventually eliminate federal taxes due on one's estate at death. The amount that can be left to loved ones free of tax is \$2 million for 2006.

If you believe your estate will pass to heirs tax free, or if you are not sure whether estate taxes will be due, consider arranging for a future charitable gift that will result in immediate income tax and/or capital gains tax savings. By doing so, you can enjoy tax savings and other financial benefits today while still providing for a significant charitable gift as part of your long-range plans.

We will be pleased to provide more information to you and your advisors about these charitable giving opportunities.



## *A Tax-Wise Idea*

Amounts left in retirement funds at death can be subject to both estate and income taxes. If you are over age 59½ remember that gifts funded by retirement plan withdrawals can be a tax-efficient way to make current and future gifts.

## Make the Most of Your Gifts

Carefully choosing the right asset to give allows you to support your charitable interests while you also:

- Enjoy income tax savings.
- Reduce or eliminate capital gains tax.
- Make larger gifts at no additional cost.
- Create new sources of tax-favored income for you and your loved ones.
- Make better use of retirement plan assets.
- Lessen the impact of estate taxes.



Scott Halquist  
Director of  
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# Taking Stock of Charitable Gifts

Though most economic indicators have fluctuated in recent months, the general trend of the stock market appears to be rising.

Making a gift of appreciated assets can bring welcome tax benefits (See page 3 for additional information). If you would like to make a gift using stock or other securities, you can do so with a minimum of effort.

### Basic pointers

*If you hold the stock certificate:*

- Mail the unendorsed stock certificate to the charitable recipient in one envelope.
- In another envelope, mail the signed stock power form to the same recipient.
- Your gift is complete on the date of postmark of the later envelope.

*If you do not have the stock certificate, or if you are giving mutual funds:*

- Contact your financial services provider to arrange the transfer.
- For tax purposes, the gift is complete at the time of the actual transfer.

### Things to keep in mind

- Act as soon as possible—transfers can take time.
- Let your financial services provider know that the timing of your gift is important for tax purposes.
- Make sure your financial services provider transfers the assets instead of selling them and transferring the proceeds, potentially triggering a capital gains tax liability.

Please contact us if you need additional information.

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If you are interested in receiving more information on estate planning, simply complete and mail the enclosed form in the return envelope provided.

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*The Pine Rest Foundation exists to provide Pine Rest Christian Mental Health Services with financial resources and community support so its ministry of love and healing in Christ's name can flourish and be enhanced.*